CREDIT UNION INSURANCE

Credit Union Insurance Limited

Financial Statements

for the year ended

30 June 2012

Credit Union Insurance Limited
Financial Statements 30 June 2012

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Nature of Business	Motor Vehicle Insurance Underwriters
Registered Office	Level 3 25 Teed Street Newmarket Auckland 1023
Location of Business	Level 3, Dunvegan House 215 Hastings Street Napier 4110
Incorporation Number	1228808
IRD Number	85-937-081
Directors	S Scott Chair M Blair Deputy Chair G Clouston B Hancock H Lynch R Nicholls B Ross *resigned during the year*
Paid in Capital	15,700,000
Auditor	PricewaterhouseCoopers 188 Quay Street Auckland 1142
Bankers	New Zealand Association of Credit Unions 25 Teed Street Newmarket Auckland 1023
Solicitors	Bell Gully Vero Building 48 Shortland Street Auckland 1010

Credit Union Insurance Limited
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UNDERWRITING INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2012

	Note	2012 $	2011 $
Premium Income			
Gross Written Premium		4,180,158	4,295,477
Unearned Premium Movement	7	31,276	294,789
Gross Earned Premium		4,211,434	4,590,266
Reinsurance Premium Ceded		(193,044)	(64,145)
Net Earned Premium		**4,018,390**	**4,526,121**
Claims Expenses			
Claims	3	2,629,290	3,043,547
Movement in Outstanding Claims	3	(148,620)	52,585
Recoveries Received	5	(501,451)	(666,440)
Movement in Expected Third Party Recoveries	5	78,079	87,767
Total Claims Expenses		**2,057,298**	**2,517,459**
Other Expenses			
Acquisition Costs	6	423,169	350,619
Total Other Expenses		**423,169**	**350,619**
Total Expenses		**2,480,467**	**2,868,078**
Net Underwriting Income Profit		**1,537,923**	**1,658,043**

This statement should be read in conjunction with the accompanying notes.

Credit Union Insurance Limited
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UNDERWRITING AND STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2012

	Note	2012 $	2011 $
Income			
Other Income	11	673,938	815,308
Interest Income	9	85,869	114,594
Gain on Sale of Asset		-	7,969
Total Income		**759,807**	**937,871**
Expenses			
Depreciation	19	49,016	79,178
Amortisation	20	164,124	512,564
Employee Costs	12	692,278	706,732
Restructuring Costs		39,577	36,013
Administration and Operating Costs		716,391	872,186
Auditor Remuneration	13	54,512	52,233
Legal Fees		8,747	5,145
Legal Claim Costs		-	331,750
Loss on Sale of Assets		10,785	-
Interest Expense	10	-	8,830
Total Expenses		**1,735,430**	**2,604,631**
Underwriting Income			
Credit Union		1,302,112	1,395,585
Other Books		235,811	262,458
Total Underwriting Surplus		**1,537,923**	**1,658,043**
Net Operating Profit/(Loss) before Taxation		**562,300**	**(8,717)**
Income Tax Expense	14	-	-
Total Comprehensive Income Profit/(Loss) for the Year		**562,300**	**(8,717)**

This statement should be read in conjunction with the accompanying notes.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2012

	Share Capital $	Capital Convertible Notes $	Accumulated Deficit $	Total $
Opening Balance - 1 July 2010	13,377,000	3,073,000	(13,435,397)	3,014,603
Capital Convertible Notes Redeemed	-	(750,000)	-	(750,000)
Interest Paid on Capital Convertible Notes	-	-	(159,026)	(159,026)
Total Comprehensive Profit / (Loss) after Tax	-	-	(8,717)	(8,717)
Closing Balance - 30 June 2011	**13,377,000**	**2,323,000**	**(13,603,140)**	**2,096,860**
Share Capital Issued	2,323,000	-	-	2,323,000
Capital Convertible Notes Redeemed	-	(2,323,000)	-	(2,323,000)
Capital Convertible Notes Issued	-	800,000	-	800,000
Interest Paid on Capital Convertible Notes	-	-	(133,549)	(133,549)
Total Comprehensive Profit / (Loss) after Tax	-	-	562,300	562,300
Closing Balance - 30 June 2012	**15,700,000**	**800,000**	**(13,174,389)**	**3,325,611**

This statement should be read in conjunction with the accompanying notes.

Credit Union Insurance Limited
Financial Statements 30 June 2012

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2012

	Note	2012 $	2011 $
Total Equity	15	**3,325,611**	**2,096,860**
Current Assets			
Cash and Cash Equivalents	16	3,107,034	2,535,413
Accounts Receivable	17	166,002	163,653
Expected Recoveries	5	330,036	434,079
Future Funded Premiums		1,602,889	1,310,770
Deferred Acquisition Costs	6	235,723	164,172
Prepaid Expenses		25,400	25,895
Tax Refund Receivable		62	729
GST Receivable		-	168,694
		5,467,146	**4,803,405**
Non-current Assets			
Investments	18	522,640	510,065
Intangible Assets	20	229,228	250,839
Property, Plant and Equipment	19	22,421	136,986
Total Assets		**6,241,435**	**5,701,295**
Current Liabilities			
Bank Overdraft	16	1,329	-
GST Payable		6,113	-
Unearned Premium Liability	7	2,038,238	2,069,514
Outstanding Claims Liability	3	624,380	773,000
Accounts Payable	21	231,708	628,528
Reinsurance Payable		14,056	133,393
Total Liabilities		**2,915,824**	**3,604,435**
Net Assets		**3,325,611**	**2,096,860**

This statement should be read in conjunction with the accompanying notes.

These Financial Statements were authorised for issue by the Board of Directors on 30 August 2010 and were signed for on its behalf.

Director **Director**

pwc

Credit Union Insurance Limited
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STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2012

	Note	2012 $	2011 $
Cash Flows from Operating Activities			
Cash was provided from:			
Premiums Received		3,885,690	4,384,583
Interest Received		92,565	114,594
Claims Recoveries		527,415	692,465
Other Income		673,938	824,451
Tax Refunds		174,808	-
		5,354,416	6,016,093
Cash was applied to:			
Claims Paid		2,629,290	3,073,132
Reinsurance Paid		312,381	721,864
Staff Costs		692,278	706,732
Acquisition Costs		483,390	330,191
Administration and Operating Costs		1,187,305	881,429
Restructuring Costs		39,577	36,013
Tax Paid		-	181,480
Interest Paid		-	8,830
		5,344,221	5,939,671
Net Cash Flow from Operating Activities	26	10,195	76,422
Cash Flows from Investing Activities			
Cash was applied to:			
Net Purchase of Intangible Assets and Property, Plant and Equipment		106,354	282,489
		106,354	282,489
Net Cash Flows from Investing Activities		(106,354)	(282,489)
Cash Flows from Financing Activities			
Cash was applied to:			
Investment in/(Repayment of) Capital Convertible Notes		800,000	(750,000)
Interest on Capital Convertible Notes		(133,549)	(159,026)
Net Cash Flow from Financing Activities		666,451	(909,026)
Net Increase/(Decrease) in Cash		570,292	(1,115,093)
Cash at the beginning of the year		2,535,413	3,650,506
Cash at the end of the year	16	3,105,705	2,535,413

This statement should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

1. REPORTING ENTITY

Credit Union Insurance Limited (the "Company") provides motor vehicle insurance policies across New Zealand and, from 1 July 2012, is an issuer in terms of the Financial Reporting Act 1993 under the terms of the provisional licence issued by the Reserve Bank of New Zealand under the Insurance (Prudential Supervision) Act 2010. It is a Company incorporated and domiciled in New Zealand. Its registered office is included within the Directory on page 3 of these financial statements.

Statement of Compliance

The financial statements are prepared and presented in accordance with the Financial Reporting Act 1993. These financial statements have also been prepared in accordance with Generally Accepted Accounting Practice (NZ GAAP), applicable New Zealand equivalents to International Financial Reporting Standards ('NZ IFRS') and other authoritative pronouncements of the Accounting Standards Review Board, as appropriate for profit-oriented entities. These financial statements also comply with International Financial Reporting Standards.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General Accounting Policies

The financial statements are based on the general principles of historical cost accounting. The going concern concept and the accruals basis of accounting have been adopted. The accounting policies have been consistently applied by the Company for all the financial periods presented in these financial statements, except as amended for the changes required due to the adoption of the new and revised accounting standards as explained in part (q) Adoption of new and revised Standards and Interpretations.

Foreign currency translation

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The financial statements are presented in New Zealand Dollars, which is the Company's functional and presentation currency. All values have been rounded off to the nearest dollar ($) unless otherwise stated.

Foreign currency monetary assets and liabilities have been translated into the functional currency at the rate of foreign exchange ruling as at balance sheet date. Transactions denominated in a foreign currency are converted to New Zealand dollars at the exchange rates in effect at the date of the transaction. Foreign exchange differences relating to monetary items and gains and losses arising from foreign exchange dealings by the Company are recognised in the Underwriting and Statement of Comprehensive Income.

Critical Judgements and Estimates in Applying the Accounting Policies

In the application of NZ IFRS the Directors are required to make judgements, estimates and assumptions about the carrying value of assets and liabilities that are not readily apparent from other sources. These are based on historical experience and other various factors and are reviewed on an ongoing basis.

The Directors believe that, as at the date of these Financial Statements, there are no significant sources of estimation uncertainty that have not been disclosed in these notes. However, the Company does make estimates and assumptions concerning the future. The resulting accounting estimates may not equal the related actual results.

Particular Accounting Policies

The following particular accounting policies which materially affect the measurement of profit and financial position have been applied.

(a) Significant Accounting Policies Related to General Insurance Contracts

The motor insurance products meet the definition of an insurance contract (a contract under which one party, the insurer, accepts significant risk form another party, the policyholder, by agreeing to compensate the policyholder if a specified uncertain future event, the insured event, adversely affects the policyholder) and none of the contracts contain embedded derivatives or are required to be unbundled.

(b) Income Attributable to Insurance Business

Premium revenue comprises amounts charged to policyholders and excludes fire service and earthquake levies collected on behalf of statutory bodies. The earned portion of premium received and receivable is recognised as revenue. Premium and commission revenue is recognised as earned from the date of attachment of risk (generally the date a contact is agreed to) over the period of the related insurance contract in accordance with the pattern of the risk expected under the contract. The unearned portion of premium is recognised as an unearned premium liability on the Statement of Financial Position.

(c) Reinsurance Expense

Premium ceded to reinsurers is recognised as an expense that is evenly spread from the date of attachment of risk to the end of the period of the reinsurance contract over the period of indemnity of the reinsurance contract.

(d) Claims

The estimation of the outstanding claims liability is based on advice from independent professional assessors. These may be supplemented over the life of the claim by revisions, made by experienced claims staff as the claim develops. The estimates are reduced by actual claims payments made. A percentage factor is added to allow for claims that are closed at balance date but will be reopened. This is calculated by analysing past claims to determine the historical incidence of claims being reopened. An overhead and risk margin is added to arrive at the final liability estimate.

Claims expense represents claim payments adjusted for movement in the outstanding claims liability.

The estimation of the outstanding claims liability involves a number of key assumptions and is the most critical accounting estimate. The Company takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures and employs external actuarial advice. However, given the uncertainty in establishing the liability, it is likely that the final outcome will be different from the original liability established. Changes in claims estimates impact profit or loss in the year in which the estimates are changed.

(e) Reinsurance and Other Recoveries

Reinsurance and other recoveries received or receivable on paid claims and on outstanding claims liabilities (notified and not yet notified) are recognised as income. Reinsurance does not relieve the originating insurer of its liabilities to policyholders.

(f) Liability Adequacy Test

The liability adequacy test is an assessment of whether the carrying amount of the unearned premium liability is adequate and is conducted at the reporting date. If current estimates of the expected future cash flows relating to future claims arising from the rights and obligations under the current general insurance contracts, plus an additional risk margin to reflect the inherent uncertainty in the central estimate, exceed the unearned premium liability then the unearned premium liability is deemed to be deficient. Any deficiency arising from the test is recognised in the Underwriting and Statement of Comprehensive Income, with the corresponding impact on the Statement of Financial Position.

(g) Assets which back Insurance Liabilities

Ultimately all assets of the Company are available to back insurance liabilities.

(h) Property, Plant and Equipment

Assets are depreciated on a straight line basis at rates calculated to allocate the assets' cost, in equal instalments over their estimated useful lives which are assessed and regularly reviewed.

Assets are carried at historic cost value less depreciation. The useful lives attributed to various assets are:

- Furniture, Fittings and Office Equipment up to 5 years
- Computer Equipment 3 years
- Motor Vehicles 4 years.

(i) Intangibles

Intangible assets represent software that is initially measured at cost. Following initial recognition intangible assets are carried at cost less accumulated amortisation and any impairment losses.

Intangibles are amortised over their useful economic life as follows:

- Software 3 years

(j) Impairment of Tangible and Intangible Assets

At each balance sheet date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of the individual asset, the Company estimates the recoverable amount of the cash generating unit to which the asset belongs. The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risk specific to the asset for which the estimates of future cash flows have not been adjusted.

Where an impairment loss subsequent reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the Underwriting and Statement of Comprehensive Income.

(k) Financial Instruments

(a) Financial Assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss', 'held-to-maturity' investments, 'available-for-sale' financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. The financial assets held by the Company at year end are classed as loans and receivables and financial assets at fair value through profit or loss (FVTPL).

(i) Loans and receivables
Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method less any impairment.

(ii) Financial assets at FVTPL are stated at fair value, with any recognised gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset.

(iii) Impairment of financial assets

Financial assets measured at amortised cost are reviewed at each balance date to determine whether there is any objective evidence of impairment. If any such condition exists, the asset's recoverable amount is estimated and provision is made for the difference between the carrying amount and the recoverable amount. As at the date of these Financial Statements, no such evidence of impairment exists.

(b) Financial Liabilities

Financial liabilities are recorded initially at fair value, net of transaction costs. Subsequent to initial recognition, liabilities are measured at amortised cost. Any discount or premium arising on settlement, including the direct fees incurred on set up, are amortised through the Underwriting and Statement of Comprehensive Income over the life of the contract using the effective interest rate.

(c) Derivatives

The Company does not use any derivative financial instruments and does not have any exchange rate exposure.

(d) Offsetting Financial Instruments

Financial assets and liabilities are not offset as there is no legally enforceable right to offset.

(l) Taxation

Current Tax

The income tax expense charged against the profit for the year is the estimated liability in respect of that profit. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by the reporting date. Current tax for the current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable). Tax assets are offset only when there is a legally enforceable right to set off the recognised amounts, and an intention to settle on a net basis.

Deferred Tax

The liability method of accounting for deferred taxation is applied on a comprehensive balance sheet basis in respect of temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax base of those items. Deferred tax liabilities are recognised for all temporary differences. Deferred tax assets are reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the Underwriting and Statement of Comprehensive Income.

(m) Goods and Services Tax (GST)

Revenue, expenses and assets are recognised net of the amount of GST except:

- When the GST incurred on a purchase of goods and services is not recoverable from Inland Revenue in which case the GST is recognised as part of the cost of the acquisition of the assets or as part of the expense item as applicable.
- Receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the Inland Revenue is included as part of receivables or payables in the Statement of Financial Position.

(n) Statement of Cash Flows

The Statement of Cash Flows is prepared exclusive of GST, which is consistent with the method used in the Underwriting and Statement of Comprehensive Income. The GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the Inland Revenue is classified as operating cash flow. The following are definitions of the terms used in the Statement of Cash Flows:

- Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.
- Cash flows are inflows and outflows of cash and cash equivalents.
- Operating activities are the principal revenue producing activities of the entity and other activities that are not investing or financing activities.
- Investing activities are the acquisition and disposal of long-term assets.
- Financing activities are activities that result in changes in the size and composition of the contributed equity and borrowings.

(o) Employee Benefits

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave when it is probable that settlement will be required and they are capable of being measured reliably.

Provision made in respect of employee benefits are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

(p) Basis of Measuring Income and Expenses

Income and expenses are accounted for on an accrual basis.

(q) Changes in Accounting Policies

All accounting policies have been applied on bases consistent with prior periods apart from those detailed below which have arisen from changes in the accounting standards applicable to the Company:

- **Presentation of Financial Statements:** Amendments to NZ IFRS 1 required entities to separate items presented in other comprehensive income into two groups, based on whether they may be recycled to profit or loss in the future. This change has not affected the measurement of any of the items recognised in the Statement of Financial Position or the Statement of Comprehensive Income in the current period.
- **Related Party Disclosures:** The Company has implemented the changes in Related Party Disclosures as required by NZ IFRS 24. The amendment clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The change has had no effect on the Company's or its parent entity's related party disclosures.
- **Transfers of Financial Assets:** Amendments to IFRS 7 Financial Instruments: Disclosures introduced additional disclosures in respect of risk exposures arising from transferred financial assets. The amendments affect particularly entities that sell, factor, securitise, lend or otherwise transfer financial assets to other parties. They have not had any significant impact on the Company's disclosures.
- **Deferred Tax: Recovery of Underlying Assets:** The IASB amended IAS 12 Income Taxes to provide a practical approach for measuring deferred tax liabilities and deferred tax assets when investment property is measured using the fair value model. IAS 12 requires the measurement of deferred tax assets or liabilities to reflect the tax consequences that would follow from the way management expects to recover or settle the carrying of the relevant assets or liabilities, that is through use or through sale. The amendment introduces a rebuttable presumption that investment property which is measured at fair value is recovered entirely by sale. As the Company owns no investment property the change in policy had no impact on the Company's financial statements.

(r) New accounting standards and interpretations issued not yet effective and have not been early adopted by the Company

The following standards and amendments to existing standards have been published and are mandatory for Company's accounting periods beginning on or after 1 July 2012 or later periods, but the Company has not early adopted them.

- NZ IFRS 9 Financial Instruments (effective for annual reporting periods beginning on or after 1 January 2015)

  NZ IFRS 9 Financial Instruments addresses the classification, measurement and de-recognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2015 but is available for early adoption. NZ IFRS 9 replaces the multiple classification and measurement models in NZ IFRS 39 with a single model that has only two classification categories: amortised cost and fair value. The Company is yet to assess the full impact of NZ IFRS 9.

- NZ IFRS 13 Fair Value Measurement (effective 1 January 2013)

  NZ IFRS 13 was released in May 2012. NZ IFRS 13 explains how to measure fair value and aims to enhance fair value disclosures. The Company has yet to determine which, if any, of its current measurement techniques will have to change as a result of the new guidance. It is therefore not possible to state the impact, if any, of the new rules on any of the amounts recognised in the financial statements. However, application of the new standard will impact the type of information disclosed in the notes to the financial statements. The Company does not intend to adopt the new standard before its operative date, which means that it would be first applied in the annual reporting period ending 30 June 2014.

- Revised NZ IFRS 19 *Employee Benefits* (effective 1 January 2013)

  In June 2012, the IASB released a revised standard on accounting for employee benefits. An equivalent revised NZ IFRS 19 Employee Benefits is expected to be issued shortly. The revised standard requires the recognition of all re-measurements of defined benefit liabilities/assets immediately in other comprehensive income (removal of the so-called 'corridor' method) and the calculation of a net interest expense or income by applying the discount rate to the net defined benefit liability or asset. This replaces the expected return on plan assets that is currently included in profit or loss. The standard also introduces a number of additional disclosures for defined benefit liabilities/assets and could affect the timing of the recognition of termination benefits. The amendments will have to be implemented retrospectively.

3. CLAIMS

(a) Reconciliation of movements in Gross Outstanding Claims Liability

	2012 $	2011 $
Opening Claims Liability	773,000	750,000
Claims Expense	2,480,670	3,096,132
Claims Paid	(2,629,290)	(3,073,132)
Closing Claims Liability	624,380	773,000

(b) Central Estimate and Risk Margin

The claims estimation process commences with the projection of the future payments relating to claims incurred at the reporting date. The expected future payments include those in relation to claims reported but not yet paid or not yet paid in full, claims incurred but not reported ("IBNR"), plus claims closed that may be reopened and is subject to actuarial review.

The estimation of the outstanding claims liability is based on the case estimate for each accident type. The estimation of the cost of claims reported but not yet paid in full is made by multiplying the number of outstanding claims in each accident category by historical averages for those categories and deducting costs paid to date. A further percentage factor is added to allow for claims that are closed at balance date will be reopened. This is calculated by analysing past claims to determine the historical incidence of claims being reopened and is subject to actuarial review.

The IBNR provision is based on a conventional chain-ladder method applied to the cost of claims reported to date in respect of each month of loss.

As at 30 June 2012 the central estimate of the outstanding claims liability was evaluated by Peter Davies (a Fellow of the NZ Society of Actuaries) of Davies Financial and Actuarial Limited. Mr Davies is satisfied as to the nature and accuracy of data in the outstanding claims liability. Mr Davies is from an organisation which is independent of the Company.

NZ IFRS 4 "Insurance Contracts" prescribes that an additional risk margin should be maintained in the claim provisions, to ensure a greater than 50% likelihood of the sufficiency of the provisions. The actuary has recommended a risk margin of 8.5% (2011: 8.5%), which provides a likelihood of sufficiency of 75% (2011: 75%). The Board of Directors has elected to provide 17% (2011: 18.5%) which provides a likelihood of sufficiency of 90%.

Insurance costs are subject to inflationary pressures over time. However, the period between the valuation date and the settlement of most claims is relatively short so any increase in costs as a result of inflation is limited. Also, due to the short settlement periods the effect of discounting expected future payments is also limited and with these two elements being small and acting in opposite directions, both have been ignored.

Composition of Outstanding Claims Liability

	2012 $	2011 $
Central Estimate of Outstanding Claims Liability	368,879	472,147
Addition of 17% (2011: 18.5%) risk margin	62,709	87,347
Addition of 21.5% (2011: 18.5%) allowance for indirect claims management cost	92,792	103,506
Outstanding Claims Liability	624,380	663,000
IBNR	100,000	110,000
Claims Liability	624,380	773,000

The average weighted expected term to settlement of Outstanding Claims as at 30 June 2012 is approximately 39 days (2011: 43 days).

4. INSURANCE CONTRACT RISK MANAGEMENT

A key risk from operating in the general insurance industry is the exposure to insurance risk arising from underwriting. The Company underwrites motor vehicle insurance contracts. The insurance contracts transfer risk to the insurer by indemnifying the policyholders against adverse affects arising from the occurrence of specified uncertain future events. The risk is that the actual claims to be paid in relation to contracts will be different to that estimated at the time a product was designed and priced. The Company is exposed to this risk because the price for a contract must be set before the losses relating to the product are known. Hence the insurance business involves inherent uncertainty.

A fundamental part of the overall risk management strategy is the effective governance and management of the risks that impact the amount, timing and uncertainty of cash flows arising from insurance contracts.

(a) Risk Management Objectives and Policies for Mitigating Insurance Risk

The risk management activities can be broadly separated into underwriting (acceptance and pricing of risk), claims management, reserving, and investment management. The objective of these risk management functions is to enhance the longer term financial performance of the overall insurance operations.

The key policies in place mitigate risks arising from underwriting insurance contracts include the following:

- Acceptance of risk - The Company is primarily an insurer only of motor vehicles. Records of results and trends achieved by each seller of insurance for the Company are analysed carefully and sellers whose portfolios are returning unacceptable levels of risk either have their price adjusted accordingly or lose their right to sell policies for the Company.
- Pricing - Underwriting results for a single insurance product enables the Company's underwriters to calculate acceptable pricing, terms and conditions of cover.
- Reinsurance - Through reinsurance the Company has been able to cap its maximum liability in the event of an accident to $100,000. This amount is well within the Company's reserves. The Company's reinsurance programme is structured to adequately protect the Company's solvency and capital position. It covers per risk and event losses in New Zealand. The Counterparty reinsurer is Munich Re which has a credit rating of "AA-" in the reinsurance catastrophe programme.
- Claims management - Claims are handled in-house by the Company's own claims department. Staff are allocated settling limits and authorities commensurate with their levels of experience. These authority levels are reviewed regularly. Claims staff deal solely with, and are very experienced in motor vehicle insurance claims. Overall authority and claims management is provided by the Company's Claims & Service Centre Manager who has over twenty years experience in claims management in New Zealand. Claims files are regularly randomly reviewed by the Company's Claims & Service Centre Manager.
- Investment management - All premium income is held in New Zealand Association of Credit Unions bank and investment accounts. The only other investments are in New Zealand Government Stock.
- Concentration of Insurance Risk - The Company regularly analyses and reviews the geographical spread of risk to ensure that the Company is not overexposed in any one region or centre.

(b) Terms and Conditions of Insurance Contracts

All the Company's insurance contracts written are entered into on a standard form and on an annual/instalment payment basis. There are no special terms and conditions in any non standard contracts that would have a material impact on the financial statements.

(c) Credit Risk

Financial assets or liabilities arising from insurance contracts are presented on the Statement of Financial Position. These amounts best represent the maximum credit risk exposure at reporting date.

The credit risk relating to insurance contracts relates primarily to premium receivable which is due from policyholders and credit union intermediaries. The intermediaries collect premium from policyholders and remit the monies to the insurer in accordance with contractual arrangements, and paid within 30 days.

(d) Interest Rate Risk

The underwriting of motor vehicle insurance contracts creates no exposure to the risk that interest rate movements may impact the value of the outstanding claims liability because the outstanding claims liability is not discounted due to the short tail nature of claims.

(e) Operational Risk

Operational risk is the risk of financial loss (including lost opportunities) resulting from external events and/or inadequate or failed internal processes, people and systems. Operational risk is identified and assessed on an ongoing basis and the capital management strategy includes consideration of operational risk. Management and staff are responsible for identifying, assessing and managing operational risk in accordance with their roles and responsibilities.

(f) Sensitivity Analysis

Sensitivity of risks relates primarily to the risk margin assessments which are set out above in Note 3. These are reviewed annually and change in accordance with current best estimates using advice of the Company's Actuary. The financial impact of these sensitivity changes are set out in Note 3.

Sensitivity Calculations	Balance	Sensitivity
Outstanding Claims Liability	524,380	
Reopening allowance 10% higher		4,765
Reopening allowance 10% lower		(4,765)
Claim estimates 10% higher		52,421
Claim estimated 10% lower		(52,421)
Administration costs 10% higher		7,617
Administration costs 10% lower		(7,617)
IBNR	100,000	
Claim reporting 10% longer		24,026
Claim reporting 10% quicker		(23,459)

5. EXPECTED RECOVERIES RECEIVABLE

(a) Reconciliation of Movements for the Financial Year

	2012	2011
	$	$
Opening Expected Recoveries	434,079	547,871
Increase in Expected Recoveries	423,372	578,673
Actual Third Party Recoveries Received	(527,415)	(692,465)
Closing Expected Recoveries	330,036	434,079

Expected Recoveries Receivable as stated in these financial statements are calculated by discounting the Recoveries Debtors ledger by a range of factors and then adding on the allowance to recognise that a portion of the Outstanding Claims Liability will also be recovered. The Recoveries Debtors ledger is divided into three categories; debts where liability is acknowledged and covered by other insurance companies, debts where the debtor has acknowledged liability and entered into a payment arrangement, and remaining debts where the liability is either disputed or no payment arrangement is yet entered into.

Receivables under payment arrangements are discounted by 20% and the balance of receivables are discounted by 50% to 100% depending on age.

At balance date a percentage of the Outstanding Claims Liability is added to the Expected Recoveries Receivable. The percentage used is based on historical monies recovered against claims paid.

(b) Reinsurance Programme

Risk underwritten are reinsured in order to limit exposure to losses, stabilise earnings, protect capital resources and ensure efficient control and spread of the risks underwritten. The Company buys reinsurance in two forms, motor third party property damage and motor own damage catastrophe single event protection.

The Board and senior management assess the Company's reinsurance programme as existing and for the following year based on identification of the Company's exposure and its ability to meet claims from its capital base.

6. DEFERRED ACQUISITION COSTS

Reconciliation of Movements for the Financial Year

	2012	2011
	$	$
Opening Deferred Acquisition Costs	164,172	162,444
Acquisition Costs Paid	483,390	330,191
Acquisition Costs Released	(411,839)	(328,463)
Closing Deferred Acquisition Costs	235,723	164,172

Acquisition costs are primarily commission costs and represent seller and agency commissions paid to third parties to acquire insurance policies. Commissions are paid up front upon receipt of premium and expensed over the life of the policy.

7. UNEARNED PREMIUM LIABILITY

(a) Reconciliation of Movements for the Financial Year

	2012	2011
	$	$
Opening Unearned Premium Liability	2,069,514	2,364,303
Gross Written Premium for the Period Before Cancellations	4,904,868	5,076,505
Premiums Cancelled During the Year	(724,710)	(781,028)
Premiums Recognised During the Year	(4,211,434)	(4,590,266)
Closing Unearned Premium Liability	2,038,238	2,069,514

(b) Liability Adequacy Test

The Company's actuary has assessed the unexpired risk reserve in respect of in-force policies, comprising the expected claim cost for the period up to the next renewal date, and the cost of managing those claims and providing other administration services required to manage the policies over that time. The actuary's view is that the unexpired risk reserve in respect of in-force policies is approximately 4.0% (2011: 9.6%) lower than the unearned premium provision. The conduct of the liability adequacy test identified a surplus at the level of 75% likelihood of sufficiency (2011: 75%). Accordingly there is no need to recognise any deficiency in the unearned premium provision.

8. INSURANCE PROVISIONS

The Company has a financial strength rating of "BB (Stable Outlook)" issued by Standard & Poors. The Company's reinsurance programme is structured to adequately protect the Company's solvency and capital position. It covers per risk and event losses in New Zealand. The Counterparty reinsurer is Munich Re which has a credit rating of "AA-" in the reinsurance catastrophe programme.

9. INTEREST INCOME

	2012	2011
	$	$
NZACU Call Account	70,251	93,727
Government Stock	24,641	20,857
Loss on Investments Measured at Fair Value	(9,028)	(9,142)
Other Interest	5	9,152
TOTAL INTEREST INCOME	85,869	114,594

10. INTEREST EXPENSE

	2012	2011
	$	$
Interest Paid	-	8,830
TOTAL INTEREST EXPENSE	-	8,830

11. OTHER INCOME

	2012	2011
Insurance Management Fee	289,048	445,227
Monthly Funding Income	384,769	369,051
Other Income	121	1,030
TOTAL OTHER INCOME	673,938	815,308

12. EMPLOYEE COSTS

	2012	2011
Wages and Salaries	675,771	672,388
Other Staff Costs	16,507	34,344
TOTAL EMPLOYEE COSTS	692,278	706,732

13. AUDITOR REMUNERATION

	2012	2011
Auditor's Remuneration		
- Audit Fees paid to PricewaterhouseCoopers	31,270	31,000
- Other Fees paid to PricewaterhouseCoopers	9,108	8,700
- Audit Fees paid to Deloitte	-	3,607
- Internal Audit Fees paid to William Buck	14,134	8,926
TOTAL AUDITORS REMUNERATION	54,512	52,233

14. TAXATION

	2012 $	2011 $
Income Tax Recognised in Profit or Loss		
(Loss) / Surplus before Taxation	562,300	(8,717)
Income Tax at Current Rate of 28% (2011: 30%)	157,444	(2,615)
Prior period adjustments	325	-
Interest on Capital Convertible Notes	(37,394)	(47,708)
Non-Deductible Expenses	-	95,672
Utilisation of losses not previously recognised as deferred tax assets	(120,375)	(45,349)
TAXATION EXPENSE	-	-
Current Tax Assets		
Tax Refund Receivable	62	729
	62	729
Deferred Tax Balance		
Gross Deferred Tax Liabilities:		
Property, Plant and Equipment	(577)	(10,691)
Intangibles	(2,579)	-
Deferred Acquisition Costs	(66,002)	(45,968)
	(69,158)	(56,659)
Gross Deferred Tax Assets:		
Provision for Employee Entitlements	9,812	9,035
Other	2,064	1,745
Tax Losses Recognised	57,282	45,879
	69,158	56,659
Unrecognised Deferred Tax Balances		
The following deferred tax assets have not been brought to account as assets:		
Tax Losses	808,124	939,902
	808,124	939,902

Imputation Credit Account

The balance of the Imputation Credit Account at 30 June 2012 is $Nil (2011 : $Nil).

15. EQUITY

	2012 $	2011 $
Accumulated Deficit		
Balance at the Beginning of the Year	(13,603,140)	(13,435,397)
Interest Paid on Capital Convertible Notes	(133,549)	(159,026)
Total Comprehensive Income for the Year	562,300	(8,717)
Balance at the end of the Year	(13,174,389)	(13,603,140)
Capital		
Fully Paid Ordinary Share Capital	15,700,000	13,377,000
Capital Convertible Notes	800,000	2,323,000
	16,500,000	15,700,000
Total Equity	3,325,611	2,096,860

The shares are fully paid up ordinary shares that do not have a par value.

During the year there was a conversion of $2,323,000 worth of capital convertible notes. As at balance date the unconverted convertible capital notes totalled $800,000 (2011: $2,323,000). The convertible capital notes in issue are non-redeemable, carry a 15% coupon rate payable at the discretion of the Company and convert to ordinary shares on 1 July 2015.

16. CASH AND CASH EQUIVALENTS

Cash & Bank Balances	57,034	160,413
Short Term Deposits	3,050,000	2,375,000
	3,107,034	2,535,413
Bank Overdraft	(1,329)	-
Balance at the end of the Year	3,105,705	2,535,413

17. ACCOUNTS RECEIVABLE

Trade Receivables	173,374	169,886
Provision for Insurance Policy Cancellations	(7,372)	(6,233)
Balance at Year End	166,002	163,653

18. INVESTMENTS

Government Stock 6.5% maturing 15 April 2013	522,640	510,065
	522,640	510,065

All investments are measured at fair value through profit or loss.

19. PROPERTY, PLANT AND EQUIPMENT

	2012 $	2011 $
Computer Equipment		
Opening Cost at beginning of Year	751,698	660,430
Additions	9,321	91,268
Disposals	(653,554)	-
Closing Cost at Year End	107,465	751,698
Opening Accumulation Depreciation at Beginning of Year	659,526	607,548
Depreciation Expense	13,747	51,978
Disposals	(578,276)	-
Closing Accumulated Depreciation at Year End	94,997	659,526
Net Book Value at Year End	12,468	92,172
Motor Vehicles		
Opening Cost at Beginning of Year	35,556	59,835
Disposals	-	(24,279)
Closing Cost at Year End	35,556	35,556
Opening Accumulated Depreciation at Beginning of Year	26,790	35,605
Depreciation expense	8,766	13,947
Disposals	-	(22,762)
Closing Accumulated Depreciation at Year End	35,556	26,790
Net Book Value at Year End	-	8,766
Furniture, Fittings, Office Equipment		
Opening Cost at beginning of Year	147,963	145,927
Additions	3,842	5,416
Disposals	(98,594)	(3,380)
Closing Cost at Year End	53,211	147,963
Opening Accumulated Depreciation at Beginning of Year	111,915	100,528
Depreciation Expense	26,503	13,253
Disposals	(95,160)	(1,866)
Closing Accumulated Depreciation at Year End	43,258	111,915
Net Book Value at Year End	9,953	36,048
Total Carrying Amount at Year End	22,421	136,986

There were no impairment losses in respect of property, plant and equipment.

20. INTANGIBLES

	2012 $	2011 $
Computer Software		
Opening Cost at beginning of Year	3,073,134	2,876,329
Additions	143,613	196,805
Intangibles Written Off	(2,409,408)	-
Closing Cost at Year End	807,339	3,073,134
Opening Accumulated Amortisation at Beginning of Year	2,822,295	2,309,731
Amortisation Expense	164,124	512,564
Intangibles Written Off	(2,408,308)	-
Closing Accumulated Amortisation at Year End	578,111	2,822,295
Net Book Value at Year End	229,228	250,839

21. ACCOUNTS PAYABLE

	2012 $	2011 $
Trade Payables	137,948	183,298
Employee Expenses Accrued	45,782	50,644
Other Accrued Expenses	47,978	394,586
	231,708	628,528

22. LEASES

	2012 $	2011 $
Non Cancellable Operating Lease Payments		
Lease Liabilities Commitments:		
Not Later than 1 Year	37,000	37,000
Later than 1 Year Not Later than 2 Years	12,333	37,000
Later than 2 Years Not Later than 5 Years	-	12,333
	49,333	86,333

23. CONTINGENT LIABILITIES

There were no contingent liabilities outstanding at balance date (2011: $Nil).

24. FINANCIAL INSTRUMENTS

Financial Risk Management Objectives

The New Zealand Association of Credit Unions provides services to the Company, including co-ordinating access to funding, a treasury function, providing banking facilities, and managing external banking relationships. The Company does not enter into or trade financial instruments for speculative purposes.

Capital Risk Management

The Company manages its capital resources to ensure that it will be able to withstand the assessed business and financial risks arising from operations. The level of capital investment is determined by reference to market norms and the requirements of external agencies such as rating agencies or regulators.

The Board of Directors and management of the Company regularly review the capital adequacy of the Company using the Reserve Bank of New Zealand's solvency standards to determine the Company's needs.

Financial Assets and Liabilities

The carrying amount to all financial assets and liabilities are considered to be equivalent to their fair value.

Financial Instruments by category

	2012	2011
	$	$
Financial assets at fair value through the profit or loss		
Investments	522,640	510,065
Total assets at fair value through the profit or loss	522,640	510,065
Loans and receivables		
Cash and cash equivalents	3,107,034	2,535,413
Accounts receivable	166,002	163,653
Total loans and receivables	3,273,036	2,699,066
Total financial assets	3,795,676	3,209,131
Other financial liabilities at amortised cost		
Bank overdraft	1,329	-
Accounts payable	185,926	577,884
Reinsurance payable	14,056	133,393
Total other financial liabilities at amortised cost	201,311	711,277
Total financial liabilities	201,311	711,277

Interest Rate Risk Management

Interest rate risk is the risk of loss to the Company arising from adverse changes in interest rates. This exposure in respect of Statement of Financial Position Assets and Liabilities depends on the degree of mismatch between the value of interest sensitive assets and liabilities. The risk is managed by investing on a short term basis as far as possible. The tables that follow show the relationship between interest sensitive financial assets and liabilities.

As at 30 June 2012	Average Interest Rate	Less than 3 months	3 months to 1 year	1-2 years	2-5 years	5+ years	Non Interest Sensitive	Total
Assets								
NZACU Call Account	2.5%	1,260,000	-	-	-	-	-	1,260,000
Other Cash Balances	3.5%	1,847,034	-	-	-	-	-	1,847,034
Accounts Receivable		-	-	-	-	-	166,002	166,002
Investments	6.5%	6,749	515,891	-	-	-	-	522,640
		3,113,783	515,891	-	-	-	166,002	3,795,676
Liabilities								
Bank Overdraft	8.8%	1,329	-	-	-	-	-	1,329
Accounts Payable		-	-	-	-	-	185,926	185,926
Reinsurance Payable		-	-	-	-	-	14,056	14,056
		1,329	-	-	-	-	199,982	201,311
On Balance Sheet Interest Sensitivity Gap		3,112,454	515,891	-	-	-	(33,980)	3,594,365

As at 30 June 2011	Average Interest Rate	Less than 3 months	3 months to 1 year	1-2 years	2-5 years	5+ years	Non Interest Sensitive	Total
Assets								
NZACU Call Account	2.5%	2,375,000	-	-	-	-	-	2,375,000
Other Cash Balances	3.1%	160,413	-	-	-	-	-	160,413
Accounts Receivable		-	-	-	-	-	163,653	163,653
Investments	6.0%	3,750	506,315	-	-	-	-	510,065
		2,539,163	506,315	-	-	-	163,653	3,209,131
Liabilities								
Accounts Payable		-	-	-	-	-	577,884	577,884
Reinsurance Payable		-	-	-	-	-	133,393	133,393
		-	-	-	-	-	711,277	711,277
On Balance Sheet Interest Sensitivity Gap		2,539,163	506,315	-	-	-	(547,624)	2,497,854

Interest Rate Sensitivity Analysis

The sensitivity analyses have not been calculated as there are no floating rate liabilities at balance date.

Credit Risk Management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company.

Risk is minimised by investing with the New Zealand Association of Credit Unions who maintain a well diversified investment portfolio with controls over maturity, counterparty and concentration of investments. Accounts receivable are spread widely amongst resellers who are actively managed for debt collection.

The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the Company's maximum exposure to credit risk.

Liquidity Risk Management

Liquidity risk is the risk that the Company will have difficulty in meeting commitments associated with its financial liabilities and future commitments. The Company manages its exposure to liquidity risk by maintaining sufficient liquid funds to meet its commitments based on historical and forecast cash flow needs. This policy is based around the NZACU Call account where a large cash balance is held, which is available at less than one months notice.

The tables that follow detail the Company's remaining contractual maturity for its financial assets and liabilities. The tables have been drawn up based on the undiscounted cash flows of financial assets and liabilities based on the earliest date on which the Company can be required to pay. The table includes both interest and principle cash flows.

	Less than 3 months	3 months to 1 year	1-2 years	2-5 years	5+ years	Total
2012						
Assets						
Cash and Cash Equivalents	3,107,034	-	-	-	-	3,107,034
Accounts Receivable	166,002	-	-	-	-	166,002
Investments	6,749	515,891	-	-	-	522,640
Total Financial Assets	**3,279,785**	**515,891**	-	-	-	**3,795,676**
Liabilities						
Accounts Payable	185,926	-	-	-	-	185,926
Reinsurance Payable	14,056	-	-	-	-	14,056
Total Financial Liabilities	**199,982**	-	-	-	-	**199,982**
Net Liquidity Gap	**3,079,803**	**515,891**	-	-	-	**3,595,694**

	Less than 3 months	3 months to 1 year	1-2 years	2-5 years	5+ years	Total
2011						
Assets						
Cash and Cash Equivalents	2,535,413	-	-	-	-	2,535,413
Accounts Receivable	163,653	-	-	-	-	163,653
Investments	3,750	506,315	-	-	-	510,065
Total Financial Assets	**2,702,816**	**506,315**	-	-	-	**3,209,131**
Liabilities						
Accounts Payable	577,884	-	-	-	-	577,884
Reinsurance Payable	133,393	-	-	-	-	133,393
Total Financial Liabilities	**711,277**	-	-	-	-	**711,277**
Net Liquidity Gap	**1,991,539**	**506,315**	-	-	-	**2,497,854**

Fair Value of Financial Instruments

Fair value measurements recognised in the Statement of Financial Position.
Financial instruments are categorised into 3 levels:

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset of liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The only financial instrument classified at FVTPL are investments of $522,640 (2011: $510,065) which are categorised as Level 1 as they are valued using wholesale quoted prices. There were no transfers between and levels.

The Directors consider that the carrying amount of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values.

25. RELATED PARTY DISCLOSURES

Parent Company

The Parent Company is CU Securities Limited.

Ultimate Controlling Party

The ultimate controlling party is the New Zealand Association of Credit Unions (NZACU).

Transactions with parent and Ultimate Controlling Entity	2012	2011
	$	$
Convertible Capital Notes to NZACU redeemed during the year.	-	750,000
Convertible Capital Notes to NZACU issued during the year.	800,000	-
NZACU provide banking facilities to the Company. At the 30th June 2012 the amount held as Short Term Deposits was	3,050,000	2,375,000
Consulting services charged by NZACU.	72,456	127,214
Management services charged by NZACU.	219,422	56,612
Interest was received from NZACU	70,383	93,726
Insurance services were provided to NZACU	287,407	443,518
Fixed Assets sold to NZACU	70,160	-

None of the terms or conditions of these services has changed since the Company joined the NZACU Group.
Related party transactions were made on terms equivalent to those that prevail in arms length transactions.

Due (to) / from Related Parties.	2012	2011
	$	$
Due to NZACU	52,285	60,396
Due from NZACU	25,826	45,230

Key Management Personnel Compensation

The compensation of the Directors and executives, being the key management personnel of the entity, is set out below:

	2012	2011
	$	$
Short term employee benefits	-	32,083

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26. RECONCILIATION OF FINANCIAL PERFORMANCE DEFICIT TO NET OPERATING CASH FLOWS

	2012	2011
	$	$
PROFIT/(LOSS) AFTER TAXATION	**562,300**	**(8,717)**
Adjustment for : Non Cash Items:		
Depreciation	49,016	79,178
Amortisation	164,124	512,564
Fair value loss on Government Stock	9,028	9,142
(Gain)/loss on sale of Assets	10,785	(7,969)
	232,953	**592,915**
Movements in Working Capital		
(Increase)Decrease in Receivables	(2,349)	96,197
Decrease in Unearned Premium Liability	(31,276)	(294,789)
(Increase) / Decrease in Deferred Acquisition Costs	(71,551)	(1,728)
(Decrease) in Outstanding Claims Liability	(148,620)	23,000
(Decrease) /Increase in Accounts Payable	(396,820)	407,967
Decrease in Tax Refunds Receivable	667	-
Decrease/(Increase) in Future Funded Premium	(292,119)	(7,093)
Decrease/(Increase) in Expected Recoveries	104,043	113,792
Decrease/(Increase) in Prepaid Expenses	495	(5,926)
Increase in Reinsurance Payable	(119,337)	(657,719)
Increase/(Decrease) in GST Receivable	168,694	(181,477)
Decrease/(Increase) in GST Payable	6,113	-
Increase/(Decrease) in Accrued Interest	(2,998)	-
	(785,058)	**(507,776)**
NET CASH FLOW FROM OPERATING ACTIVITIES	**10,195**	**76,422**

27. SUBSEQUENT EVENTS

There were no events subsequent to balance date that would require disclosure in the Financial Statements.

STATUTORY DECLARATION

	2012	2011
	$	$
The net surplus/(deficit) of the Company for the period under review after tax was:	562,300	(8,717)

Reserves		
Accumulated Losses		
Opening Balance	(13,603,140)	(13,435,397)
Dividend Declared	-	-
Interest on Capital Convertible Note	(133,549)	(159,026)
Net Surplus for the Year/Period	562,300	(8,717)
Balance at End of Year/Period	(13,174,389)	(13,603,140)

General

As required by section 211 of the Companies Act 1993 we disclose the following information:

There was no change in the main activities of the Company during the period under review.
The Directors believe the state of the Company's affairs to be satisfactory.

Directors' Interest in contracts

During the period, the Board received notice that all the directors are officers of, or board members of Credit Unions or NZACU.

Use of Company Information

The Board received no notice during the period from the directors requesting to use, disclose or act on company information.

Remuneration and other benefits
No remuneration was paid to directors during the year (2011: $32,083).

	2012	2011
	$	$
G Clouston	-	18,333
S Scott	-	13,750
	-	32,083

One employee of the Company received remuneration in excess of $100,000 per annum.

	2012	2011
Remuneration		
$100,000 - $150,000	1	1

Insurance and Indemnity
During the period, no material insurance or indemnity was effected for the benefit of any director or employee.

Donations
No donations were made to any charities during the period.

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Independent Auditors' Report

to the shareholder of Credit Union Insurance Limited

Report on the Financial Statements

We have audited the financial statements of Credit Union Insurance Limited (the "Company") on pages 4 to 24, which comprise the statement of financial position as at 30 June 2012, the underwriting income statement, the underwriting and statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and the notes to the financial statements that include a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Financial Statements

The Directors are responsible for the preparation of these financial statements in accordance with generally accepted accounting practice in New Zealand and that give a true and fair view of the matters to which they relate and for such internal controls as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand) and International Standards on Auditing. These standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider the internal controls relevant to the Company's preparation of financial statements that give a true and fair view of the matters to which they relate, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

We have no relationship with, or interests in, Credit Union Insurance Limited other than in our capacities as auditors and tax advisors. These services have not impaired our independence as auditors of the Company.

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Independent Auditors' Report

Credit Union Insurance Limited

Opinion

In our opinion, the financial statements on pages 4 to 24:

(i) comply with generally accepted accounting practice in New Zealand;

(ii) comply with International Financial Reporting Standards; and

(iii) give a true and fair view of the financial position of the Company as at 30 June 2012, and its financial performance and cash flows for the year then ended.

Report on Other Legal and Regulatory Requirements

We also report in accordance with Sections 16(1)(d) and 16(1)(e) of the Financial Reporting Act 1993. In relation to our audit of the financial statements for the year ended 30 June 2012:

(i) we have obtained all the information and explanations that we have required; and

(ii) in our opinion, proper accounting records have been kept by the Company as far as appears from an examination of those records.

Restriction on Distribution or Use

This report is made solely to the Company's shareholder, as a body, in accordance with Section 205(1) of the Companies Act 1993. Our audit work has been undertaken so that we might state to the Company's shareholder those matters which we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholder, as a body, for our audit work, for this report or for the opinions we have formed.

PricewaterhouseCoopers

Chartered Accountants
30 August 2012

Auckland